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SUBJECT: BOEING BIDS TO SELL AIR NEW ZEALAND FIFTEEN NEW AIRCRAFT

Ref: Wellington 02

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¶1. (U) Summary: Boeing Corporation hopes to secure a new tender for the sale of fifteen new 737s to Air New Zealand worth US\$1.2 billion. If successful this will add to Boeing's already lucrative contract to supply the national carrier with state-of-the-art aircraft. Air New Zealand is awaiting delivery of eight 787 Dreamliners worth US\$1.5 billion and four 777-300ERs worth an additional \$US1 billion. To date, Boeing has been able to win out against rival Airbus in the New Zealand market because of its technological edge. While the new National government is not likely to place an order for additional military aircraft, the government is eager to work with Boeing to introduce biofuels in aircraft in order to reduce the country's carbon footprint. End Summary.

Boeing competes with Airbus for Billion Dollar Deal

¶2. (SBU) Craig Saddler, President of Boeing's Australia and South Pacific Office, met with Embassy staff and announced that his company would be entering a new round of tendering in March 2009 to secure a potentially lucrative contract worth US\$1.2 billion to supply Air New Zealand with fifteen new aircraft. Boeing is hoping to sell fifteen 737s to enhance the Air New Zealand's commercial fleet. The principle competition in this tender comes from Airbus, which hopes to sell its alternative model A320s in the hope of gaining greater market share.

¶3. (U) Air New Zealand currently has on order eight Boeing 787-9 Dreamliners worth approximately US\$1.5 billion. Air New Zealand was the second airline company to order the advanced 787 model, placing its initial order for two airplanes in 2004. The new aircraft are important to Air New Zealand's growth plans over the next decade to extend their long-haul capabilities to a variety of destinations in Africa, India, the Americas and Asia. Despite production setbacks due to strikes at Boeing's American plants last year, Boeing hopes to deliver the first aircraft by the end of 2010, with full delivery by 2013. Given the current financial picture, Air New Zealand told Saddler that the delay in delivery was not an issue. Air New Zealand also has four 777-300ER aircraft on order from Boeing worth an additional US\$1 billion which are scheduled for delivery in 2010 and 2011.

Boeing's Comparative Advantage

4 (SBU) The technologically advanced 787 is an entirely new airplane incorporating composite technologies (carbon fiber) and new engines that contribute to operating fuel and environmental efficiencies and performance characteristics exceeding conventional airframes. Saddler claimed that Boeing's technological advantage cannot be easily matched by Airbus, resulting in a growth in the company's orders for new aircraft now approaching 1,000 internationally (versus 300 Airbus order, per Saddler). Saddler said that Airbus has tried to reproduce the advanced composite structure but has only been able to produce panels and cannot match the single fuselage design.

Boeing Looks for Opportunities with New Government

15. (SBU) Saddler has been making the rounds in Wellington this week to introduce himself to members of the new National government. He met with the Cabinet Ministers for Defence, Environment and Transport. In his discussions with Defence Minister Wayne Mapp, he said there was interest in exploring the possibility of the agency using more modified 757 aircraft. Currently the New Zealand Air Force operates 2 Boeing 757s but both had been out-of-service last year while in the U.S. Boeing plant for a US\$100 million retrofit/upgrade. (Note: the lack of the 757s became an issue when the Air Force had to send a Hercules aircraft to Bangkok in December rather than the more appropriate 757s to Bangkok to retrieve stranded Kiwis travelers during the airport strike. End Note.) Saddler thinks it unlikely that the Defence Ministry will be making any additional purchases for new military aircraft and will continue to rely on the older P3s for the foreseeable future.

6 (SBU) Saddler also said that in his meeting with Environment Minister Nick Smith, he had an opportunity to discuss the first

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successful test flight using biofuel by Air New Zealand in a Boeing aircraft in December 2008 (see Reftel). Saddler stated that his company is committed to expanding the use of a biofuel mixture to improve the carbon footprint of the industry. He predicted that within five years, approximately 10 percent of the Air New Zealand fleet will be operating on a biofuel mixture produced from jatropha - an inedible plant.

17. (SBU) In contrasting his meeting with the National government, Saddler recounted a meeting he once had in Sydney with former Labour Prime Minister Helen Clark who asked him to consider building a Boeing plant in New Zealand. He said that the PM had to be reminded that without the possibility of the GNZ purchasing any Boeing planes, it was unlikely there was a profit incentive to expand operations in New Zealand.

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